

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0210-01  
Bill No.: HJR 14  
Subject: Constitutional Amendments; Education, Proprietary; Lotteries  
Type: Original  
Date: March 2, 2015

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Bill Summary: Would propose a constitutional amendment authorizing appropriations from the Lottery Proceeds Fund to be used for early childhood programs.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0 or (More than \$7,100,000)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$7,100,000)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Potential expenses and reimbursements netting to zero in FY 2016 if a special election is called by the Governor.

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **HJR 14 - Lottery Proceeds Fund:**

Officials from the **Missouri Lottery Commission (LOT)** assumes overall lottery sales and expenditures would be unaffected and transfers to the Lottery Proceeds Fund will be unchanged; however, appropriations to elementary, secondary, and higher education will be diverted to early childhood education. The resulting shortfall in elementary, secondary, and higher education funding would have to be absorbed with General Revenue funding, negatively impacting Total State Revenue.

**Oversight** notes the following LOT transfers in profits to the Lottery Proceeds Fund for public education, including elementary, secondary, and higher education.

FY13 - \$288,804,006

FY12 - \$280,042,095

FY11 - \$259,424,365

Officials from the **Department of Higher Education (DHE)** assume this proposal would expand appropriations of lottery proceeds funds to include early childhood education. While that spending authority does not impact higher education, use of it could.

DHE assumes should funds be appropriated from the Lottery Proceeds Fund to early childhood programs, some sort of adjustment would be necessary, either cuts would be made to existing programs that are funded through the Lottery or the moneys that would have been appropriated would come from another funding source.

DHE notes the following Lottery Proceed funds for the purpose of higher education programs.

FY12 - \$107,854,425 (actual)

FY13 - \$101,896,091 (actual)

FY14 - \$107,249,227 (actual)

FY15 - \$127,978,700 (budgeted)

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** note the following appropriations from Lottery Proceeds for public education.

FY15 - \$174,782,389

FY14 - \$187,424,172

FY13 - \$180,775,146

DESE notes the following early childhood education programs by fiscal year and appropriation amount.

Programs Serving Children Birth to Five:

	<b>FY15</b>	<b>FY14</b>	<b>FY13</b>
Early Childhood Education	\$144,660,376	\$144,660,376	\$144,660,376
Parents as Teachers	\$15,000,000	\$15,000,000	\$15,000,000
Early Childhood Preschool Program (MPP)	\$13,732,821	\$12,821,300	\$1,420,004
First Steps	\$52,433,142	\$44,795,351	\$42,739,385
<b>Total</b>	<b>\$225,826,339</b>	<b>\$217,277,027</b>	<b>\$203,819,765</b>

Source: Department of Elementary and Secondary Education

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume this proposal would allow lottery proceeds to be used for early childhood education in addition to elementary, secondary, and higher education. The proposal only changes the potential distribution of the lottery proceeds but does not change the amount collected. B&P assumes this proposal would not impact general and total state revenues.

**Oversight** assumes this proposal would provide an expansion of the potential use of Lottery Proceeds Funds to early childhood education programs currently receiving funding from another revenue source. Elementary, secondary, and higher education programs currently receiving Lottery Proceeds Funds could see a reduction if those funds were shifted to an early childhood education program without another funding source to replace those funds diverted for early childhood education.

ASSUMPTION (continued)

**Oversight** assumes this proposal is permissive and will not reflect a direct fiscal impact to state or local government funds. Funding decisions for elementary, secondary, higher, and early childhood education would be determined through the normal appropriation process, dependent upon voter approval of the joint resolution.

Officials from the **Office of the Secretary of State (SOS)** stated that each year, a number of joint resolutions which would refer to a vote of the people a constitutional amendment and bills which would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly. Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election.

The Missouri Constitution authorizes the Governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, state law requires the state to pay the costs. The cost of a special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure, and the SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for these publications is adjusted each year depending upon the election cycle, with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements.

Through FY 2013, the appropriation was an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue).

In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation and the SOS was appropriated \$1.19 million to publish the full text of the measures. In FY 2015, at the August and November elections, there were 9 statewide Constitutional Amendments or ballot propositions that cost \$1.1 million to publish (an average of \$122,000 per issue).

ASSUMPTION (continued)

The SOS reduced the scope of publication for these measures. Despite the FY 2015 reduction, the SOS will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these publications are mandatory, the SOS reserves the right to request funding to meet the cost of our publishing requirements.

**Oversight** has reflected in this fiscal note the cost for the state to potentially reimburse local political subdivisions for the cost of having this proposed constitutional change voted on during a special election in fiscal year 2016. This reflects the decision made by the Joint Committee on Legislative Research, that the potential cost of elections should be reflected in the fiscal note. The next scheduled statewide primary is in August 2016 and the next scheduled general election is in November 2016 (FY 2017). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2016.

Officials from the **Department of Elementary and Secondary Education** and the **Missouri Gaming Commission** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - Office of the Secretary of State - reimbursement of local election authorities for election costs <b>if</b> a special election is called	\$0 or (More than <u>\$7,100,000</u> )	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>\$0 or (More than <u>\$7,100,000</u>)</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2016 (10 Mo.)	 FY 2017	 FY 2018
<b>LOCAL ELECTION AUTHORITIES</b>			
<u>Transfer In</u> - Cost reimbursement from the State for special election	\$0 or More than \$7,100,000	\$0	\$0
<u>Expense</u> - Cost for special election	\$0 or (More than <u>\$7,100,000</u> )	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO LOCAL ELECTION AUTHORITIES</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

## FISCAL DESCRIPTION

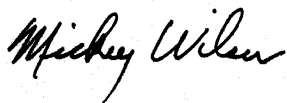
### HJR 14 - Lottery Proceeds Fund:

Upon voter approval, this proposed constitutional amendment allows money from the Lottery Proceeds Fund to also be appropriated for early childhood education. Currently, moneys in the fund may be appropriated solely for elementary, secondary, and higher education.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Missouri Lottery Commission  
Department of Elementary and Secondary Education  
Department of Higher Education  
Office of Secretary of State  
Office of Administration -  
Division of Budget and Planning  
Missouri Gaming Commission



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March 2, 2015

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